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C O N F I D E N T I A L SECTION 01 OF 02 BRASILIA 000788

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SUBJECT: TERROR FINANCE: 2005 UPDATE NUMBER 2 - BRAZIL

RESPONSE

REF: A. STATE 32688

[1B](#). 04 BRASILIA 560
[1C](#). BRASILIA 123

Classified By: Deputy Chief of Mission Phillip Chicola, Reasons
1.5 (b)
and (d).

[11](#). (U) This cable responds to ref A request for an evaluation of the GoB's ability to cooperate in disrupting terrorism financing. The answers below are keyed to questions in ref A paragraph 10.

Question A - Amounts Frozen and Authorities

[12](#). (U) We enjoy productive relationships with the responsible GoB technical agencies, such as the Financial Intelligence Unit (COAF) and the Central Bank, which enable us to quickly dispatch routine name checks for persons or entities on the UNSCR 1267 and 1373 terror finance lists. During these checks, the GoB has not found, and therefore not frozen, any assets, accounts or property in the names of persons or entities on the UN terror-finance lists.

[13](#). (U) Under current Brazilian law the GoB would require a judicial order to freeze terrorist assets, should such be found. That may change before long, as the GoB is working on legislation that would make terrorism finance a crime on its own merits, as opposed to being one of the predicate offenses to money laundering. The legislation also would provide the GoB the authority to freeze accounts administratively, without recourse to judicial order.

Question B - Obstacles to Deeper Cooperation

[14](#). (C) If given evidence (or at least credible intelligence) of terror financing by Al-Qaida or its associated groups in Brazil, we suspect the GoB would support UN designations of those implicated. Indeed, given the multilateral nature of the exercise, and to emphasize what the GoB would like to be seen as its "responsible role" in the multilateral arena, the GoB may insist on taking the lead in designations of such terror financiers, instead of merely co-sponsoring with the USG. That said, the natural sluggishness of the Brazilian interagency system would likely be an impediment to the quick action the USG might seek.

[15](#). (C) The GoB does not share the level of USG concern about Hizballah activities. GoB contacts note that Hizballah is a legitimate Lebanese political party, with parliamentary representation, as well as a recognized charitable organization. While not dismissing U.S. concerns outright, they ask for evidence that remittances to Hizballah from Brazil go to finance terrorist acts. This view, along with the absence of a UN Security Council designation of Hizballah, under USCRs 1267 or 1373, will remain an obstacle to cooperation with the GoB against that group.

Question C - Openness to Training and Assistance

[16](#). (U) The GoB has accepted USG training and technical assistance and remains interested in participating in additional programs. FinCen conducted a November 2003 needs assessment of COAF, which led to the provision of computers and analytical software, funded from an FY02 Triborder supplemental. This allocation also has been used to send three analysts from each of the tri-border countries' financial intelligence units for a week's training/exchange at FinCen.

[17](#). (U) In addition, Embassy's Legal Attaché facilitated the provision of a NAS-funded anti-money laundering course with an anti-terror finance component to Brazilian Federal Police

in Recife in September 2004. Both DOJ's OPDAT and an IRS team have conducted needs assessments within the last year for potential anti-money laundering training; those training programs have not yet been implemented.

Question D - Risk Level

18. (U) The GoB has an adequate legal framework for dealing with terrorism finance. Its institutions also are relatively strong, leading the IDB to conclude in a recent study that the incidence of money laundering in Brazil's banking system was lower than average in Latin America (ref C). We believe these favorable factors extend to Brazil's ability to minimize the exploitation of its banking sector by terrorist financiers.

19. (U) The GoB has a fair capacity to track transactions that take place through the formal banking system. COAF has access to databases of suspicious transactions, currency transaction reports (CTR's) on transactions over Reals 10,000 (about \$3,700) and has access to government tax data, among other databases. The remnants of previous exchange controls, which require most foreign exchange purchases to be licensed (albeit automatically) by the Central Bank, enhance the GoB's ability to track international transactions. The GoB relies on banks and other financial institutions to comply with know-your-client rules to ensure reporting of assets belonging to anyone on the UN terror finance lists. Banks also are required to report suspicious transactions. Within the year, however, the Central Bank expects to complete a computerized registry of basic identifying information on current accounts in the country. While the aim of the registry is to tackle money-laundering, the registry will allow real-time searches for accounts belonging to any entity on the UN lists.

110. (SBU) Balancing the relative strength of safeguards in the formal banking system are several holes that remain in the GoB's ability to stop potential remittances to terror groups. For example, while many large Brazilian (and foreign) banks have active compliance officers that enforce know-your-customer rules and report suspicious transactions, we have less confidence that smaller and regional banks actively do so. As is the case elsewhere in the world, the GoB has no ability to track transactions of terrorists or their cutouts whose names do not appear on the UN lists. Finally, the GoB is incapable of tracking remittances overseas through informal networks, be they through local money-changers (known as "Doleiros") or Hawalla networks.

111. (C) Given the size of the Muslim/Middle-Eastern origin population in Brazil (9 to 12 million people of Lebanese and Syrian descent), its tradition of remitting money home to support family and charitable organizations and the balance of strengths and weaknesses of anti-money laundering controls in the Brazilian banking system, we would argue Brazil is at high risk for raising or banking money for terrorists at the tens of thousands of dollars threshold. In Brazil's case, we believe it useful to distinguish between the risks associated with different terror groups: at present, the risk of fund raising for Hezbollah and Hamas is high, while the risk of fund-raising for Al-Qaida and its network is likely low.

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